

WYPTA

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West Yorkshire Passenger Transport Authority

Statement of Accounts

For the year ending 31st March 2006

West Yorkshire Passenger Transport Authority and Executive

Wellington House, 40/50 Wellington Street, Leeds LS1 2DE

Foreword to the Annual Accounts 2005/06

The Annual Review and Accounts document has been prepared to provide an outline of the activities of the Authority and Executive (Metro) for the year 2005/06. The front Review sets out how progress has been made towards the 20 year vision utilising the funds available. It is not exhaustive thus further information is available from Metro, if required, in relation to the various aspects of activity described.

The following statements are attached to enable the reader to appreciate the financial operation of the Authority and Executive:

A statement setting out the responsibilities of the Authority and its Chief Financial Officer
- this statement also contains the certification of the accounts by the CFO and Chairman.

A statement of internal control designed to provide reasonable assurance of the
systems of internal management and control and identify any significant issues.

The accounting policies statement identifies the policies adopted by the Authority and Executive.

The Revenue account sets out the revenue income and expenditure for the year.

The Balance Sheet sets out the financial position at 31 March 2006

The cash flow statement summarises the inflows and outflows of cash from transactions with
third parties for both revenue and capital purposes.

The notes to the accounts provide further detail of transactions within the accounts.

There is then a new consolidated set of accounts comprising a Group Revenue account, Balance sheet, Cash Flow statement and Notes the rationale of which is referred to below.

During the early part of 2005/06 a fraudulent transaction was discovered relating to the Authority's bank account. Further investigation revealed that a more extensive but lower level of fraud had been perpetrated over a number of years and a detailed investigation was undertaken to identify the amounts involved. The officer concerned, who was employed by Leeds City Council, was dismissed and police are undertaking an investigation. It is anticipated that the majority of the loss will be recovered.

The detailed accounts follow this summary and appear in their required statutory formats. The Authority complying with the Local Government accounting codes of practice and the Executive complying with Companies Act requirements. This means there are some presentational differences between the two sets of accounts which may cause some difficulties. However, financially they are fully compatible and have both received a clean audit opinion by the Audit Commission.

Accounting Regulations

The Accounts and Audit Regulations (England) Regulations 2006 which generally operate from 1 April 2006 are fully complied with by both the Authority and the Executive. The main effects are to ensure that whilst the Authority follows the 2005 SORP for its individual accounts both its group accounts and the accounts of the Executive follow GAAP requirements. Practically the most significant difference is that the Executive as well as the Authority now fully complies with FRS17 for Pension fund disclosure but that the net effect of that disclosure is to show the net funding position, whether positive or negative, in a separate pension reserve account on the face of the Balance Sheet. Although included in the consolidated accounts a more detailed note is included in the Executive's accounts.

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From 1 April 2005 accounting regulations (2004 SORP - LAAP Bulletin 61) require group accounts to be prepared for local authorities. A set of consolidated statements is therefore included for the first time in these accounts together with comparative figures for 2004/05. As these are prepared for the first time, in order to avoid confusion the consolidated figures are shown separately at the end of the document as a revenue account, balance sheet, cash flow statement and notes. The policies and other statements are fully consolidated.

Responsibilities

The Passenger Transport Authority is responsible for determining Public Transport policies in West Yorkshire and for providing funds to the Executive to carry them out. In 2005/06 the Authority provided a revenue grant to the Executive of £111.0m to cover the costs of meeting those policies. The attached statements show the grant to the Executive and the sources of funding. The Executive's accounts indicate the use made of those funds.

The Levy

In 2005/06 grant income was received from Central Government to cover franchised rail costs and payments under the Rural Bus initiative. The remainder of the Authority's expenditure was met by a Levy on the five constituent District Councils (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and a transfer from reserves.

The Executive had significant reserves by the end of 2004/05. Therefore, the Authority, in agreement with their auditors, reduced the revenue grant to the Executive thereby transferring those reserves to the Authority. Since a similar sum would have originally been derived from amounts set aside from the Levy in earlier years the whole amount was then treated as a rebate to the Levy and returned to the five Districts during March 2005 thus making £56.8m the final levy for 2004/05. In return the Districts agreed that the Levy for 2005/06 should rise by 4% from the original Levy of £61.7m for 2004/05 to the £64.2m as shown in the attached accounts.

Overall Summary of the Authority and Executive Revenue Accounts combined

	2005/06 Approved Budget £m	2005/06 Actual £m
Revenue Expenditure		
Where the money comes from:		
Government grants	56.9	56.7
District Council Levies	64.2	64.2
Deeds of assumption receipts	0.0	0.0
Ticket Sales	19.0	23.9
Income generation	6.9	9.1
Transfer from/(to) reserves	0.7	(0.1)
	<u>147.7</u>	<u>153.8</u>
Where it is spent:		
Concessionary Travel	20.7	20.1
Subsidised Bus Services	18.6	18.5
Special Needs Transport	2.3	2.2
Passenger Services support	11.2	12.7
Prepaid tickets	19.0	23.9
Local Rail Services	54.7	54.7
Financing costs (net)	10.7	10.7
Support costs	10.5	11.0
	<u>147.7</u>	<u>153.8</u>

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The Authority's and Executive's overall expenditure in the year rose compared to the budget by £6.1m. After adjusting for the increased sales of Prepaid tickets (on behalf of the operators) there was a net rise in expenditure of £1.2m and a rise in reserves of £0.1m during the year.

The government grant for rail received in 2004/05 was unusually low at £25.8m as the Strategic Rail Authority paid off their Deeds of Assumption (ie their outstanding debt) at the start of the year. The income from the repayment of their debt was then required to be used to meet rail franchise payments instead of using the more usual source of grants. During 2005/06 the grant returned to a more normal level of £54.6m. Further details appear within the Executive's accounts.

The annual review sets out progress with the 20 year vision which reflects the utilisation of the above figures which are extracted from both sets of the attached accounts.

Capital Expenditure during 2005/06

Capital expenditure during the year was £18.3m of which the majority was spent on bus related schemes including the infrastructure for the Yorkshire Bus Initiative, corridor improvements (shelters, poles and information), the replacement of Ossett bus station, the continued implementation of the MyBus scheme for schools, the provision of Real time information plus many other schemes. Rail schemes included improvements to the Wakefield Kirkgate Station, CCTV enhancements and other rail works including a programme of accessibility and shelter improvements. Other capital spending included computer developments and other administrative enhancements to improve services to the public.

All capital expenditure was initially met by the Executive and funded by means of grants from the Authority. In 2005/06 the Authority provided grants of £16.1m to the Executive. This was funded by government grants of £7.3m and borrowing of £8.8m all of which was within approved government allocations. As part of the Authority's response to the situation of interest rates in the financial markets, a further opportunity was taken to replace some existing borrowing with other low interest rate loans for differing periods. This transaction formed part of the Authority's capital funding in the year which was completed through a mixture of utilising investments and internal resources.

The negative Balance Sheet

The new prudential guidelines from the government were implemented from 1 April 2004. The Authority's accounts follow national accounting requirements resulting in a negative balance sheet. This is not a concern as it arises from the legislative structure of the Authority and the Executive where all assets financed through loans by the Authority are held in the Executive's balance sheet or have been passed (under privatisation legislation) to the rail companies. All the loan charges concerned have been included within the associated District Council's revenue support grant calculations thus future funding is expected to be assured.

Further Information

The Authority and/or Executive's Accounts can also be supplied in large print, Braille or audiotape. Anyone wanting these options should contact Metro on 0113 251 7227.

Further information on the Authority and the Executive (Metro) is also available on the following web sites:

Authority: www.wypta.gov.uk **Executive:** www.wymetro.com

Address: Wellington House, 40/50 Wellington Street, Leeds LS1 2DE
Telephone for general enquiries : 0113 251 7272
Metroline for travel enquiries etc: 0113 245 7676

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

STATEMENT OF RESPONSIBILITIES

1. The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the code of practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

In preparing this statement of accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the code of practice.

I have also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the West Yorkshire Passenger Transport Authority at 31st March 2006 and its income and expenditure for the year ended 31st March 2006.

D.J. Page
Chief Financial Officer
WYPTA

4. Approval of the Accounts

I certify that the Statement of Accounts has been approved by a resolution of the West Yorkshire Passenger Transport Authority in accordance with the Accounts and Audit Regulations 2006.

Chairman of the Authority
WYPTA
23-Jun-06

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Statement on Internal Control

1. Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The overall system of internal control has been in place at the Authority throughout the year ended 31 March 2006 and up to the date of approval of this annual report and accounts with elements being altered during the period to reflect changes being made to develop and improve the system.

3. The internal control environment

The key elements of the corporate governance and internal control environment include:-

- a) Corporate policies and objectives set and communicated by the Authority.
- b) Regular monitoring of achievement of the Authority's policies and objectives
- c) Ensuring compliance with established procedures, laws and regulations
- d) Risk management being embedded in the activities of the Authority
- e) The financial management of the Authority, including financial controls and the reporting of financial transactions
- f) external reviews carried out by auditors and other agencies to achieve Chartermark, IIP and other accreditations thus creating a workplan for future improvements.

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4. Review of Effectiveness

The Authority has responsibility for conducting a continuous review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The Authority has created a structure consisting of a series of specialist working groups covering all areas of its activities. These working groups develop policy and monitor its implementation receiving regular reports on all aspects of the Authority's business.

The Authority has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All administrative controls and financial instructions are reviewed on a regular basis by the Authority's management and Internal Audit. Standing orders and financial regulations are also re-approved annually by the Authority. In terms of financial accounting the Authority utilises the core financial system of the Executive which is reviewed annually by Internal and External Audit.

The Executive's Internal Auditor is retained as the internal auditor for the Authority, has drawn up an audit plan in consultation with the external auditor and is undertaking audit reviews. All such plans and reviews are being submitted to the Clerk and the Chief Financial Officer.

The work of the Internal Auditor is informed by an assessment of risk derived from a risk register linked to that of the Executive. The Authority and Executive have in place comprehensive risk management arrangements. The Executive Risk Management Group meets on a regular basis to consider the risks facing both the Authority and the Executive and to assess the action taken to minimise such risks. The results of the reviews of the Risk Management Group are included in separate and joint risk registers for the Authority and Executive which are regularly updated to take account of the changing risk environment.

The Authority considers the advice of the external auditor and other advice received.

5. Internal Control

Investigation of a financial irregularity

Throughout the year the Authority had in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and accountability. Of these the Authority considered reports on the standing orders and financial regulations in July 2005. All other administrative and financial instructions were also reviewed and updated during the year.

Notwithstanding the Authority's internal controls a financial irregularity was discovered. As a result an immediate review was undertaken of control procedures and staff instructions.

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Current Action Plan

This section summarises other issues that have been identified and considered during the year on which action is being further considered.

Corporate Governance

Corporate governance arrangements in relation to the Authority's policies and controls are being reviewed. The structure of the Authority and its Working Groups was reviewed in 2005 and further consideration is now being given to the development and creation of a Member group to cover all audit and governance arrangements.

Review of Internal Controls

Apart from the review of the financial control procedures referred to above there are a number of other aspects on which action was completed in 2005/06 or is ongoing. These include:

a revised joint code of conduct for Authority and Executive staff,

an internal comprehensive performance review in conjunction with the Audit Commission,

a revision to the service agreement under which Leeds City Council acts for the Authority in Treasury matters

further development of the audit and risk management arrangements

All of these are completed or currently underway.

6. Conclusion

During 2005 a financial irregularity was discovered. As a result of this the Authority's financial controls were reviewed. This along with the above action plan will further enhance the general internal control environment.

Chairman of the Authority
WYPTA
23-Jun-06

K Preston
Clerk to the Authority
WYPTA

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ACCOUNTING POLICIES FOR THE ACCOUNTS

1. GENERAL PRINCIPLES

The Authority's accounts follow the appropriate accounting standards as required by the *Accounting Code of Practice on Local Authority Accounting in Great Britain 2005* (The Code). The Code has been approved as a Statement of Recommended Practice (SORP) which is recognised by statute as representing proper accounting practices. In accordance with the Code the accounts for the Authority have been prepared using the historic cost convention except in relation to fixed assets which are treated differently (see Accounting Policy 5). The accounts recognise the Best Value Accounting Code of Practice and the principal accounting policies the Authority has adopted under ACOP.

The Executive have prepared their accounts to conform to UKGAAP requirements and use the historic cost convention.

The group accounts have required a number of adjustments to the information included in the Authority's individual accounts to make them UKGAAP compliant so far as is possible. However, they also contain a number of the notes required by the SORP which are not in themselves UKGAAP compliant.

Both sets of accounts comply with the Accounts and Audit (Amendment) (England) Regulations 2006.

2. BASIS OF ACCRUAL

All transactions are recorded on an Income and Expenditure basis, thus all debtors and creditors appear whether or not the cash has actually been paid or received. All revenue grants are credited to the accounts in the period to which they relate.

3. GOING CONCERN BASIS

Whilst the Balance Sheet appears negative this results from government legislation whereby the Authority makes capital grants to the Executive who include the assets within their Balance Sheet. The apparent imbalance between the amount of the Authority borrowings and the Executive's assets derives from the transfer from 1997 of all Rail assets to the privatised Rail companies. The government continues to provide funds within the District Councils to cover the loan charges concerned. The accounts have thus been prepared on a going concern basis.

4. DEFERRED CHARGES

Deferred charges are written down to revenue in the year that they are recognised in accordance with the requirements of the SORP.

5. TANGIBLE FIXED ASSETS

5.1 RECOGNITION & MEASUREMENT

All Fixed Assets are depreciated over the agreed life of the assets. All buildings and land are revalued every 5 years in accordance with FRS 15, the latest valuation being at 31 March 2006 by Lambert Smith Hampton. The only other assets revalued are on-street furniture which was revalued at 31 March 2003. Remaining assets are held at original cost.

Expenditure incurred by the Executive on any rail infrastructure projects is not capitalised as the Executive has no ownership rights over the infrastructure thus all such costs are charged directly to revenue.

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All assets are depreciated over their useful life. In addition consideration is given by the Authority as to whether any further charge is required to cover impairment (eg. a reduction in the value of the building due to backlog of repairs or any other reason). A full revaluation of all freehold and leasehold buildings was undertaken as at 31st March 2006 and the Authority is not aware of any reason for impairment to have occurred. Depreciation periods used for assets are:

Freehold and long lease buildings	Between 5 and 50 years
On-street furniture and infrastructure	20 years
Rail units leased	10 years
Vehicles	Between 4 and 16 years
Plant and equipment	Between 5 and 10 years
Office furniture and equipment	Between 4 and 10 years

5.2 CHARGES TO REVENUE

For the Authority a capital charge which includes an element for depreciation and notional interest has been shown as part of Service expenditure. No charge has been made for Impairment which is not considered to have occurred in the two years concerned. The charge concerned is credited to the asset management revenue account where actual financing costs (including interest payable) is charged together with the provision for depreciation. Amounts set aside from revenue for the repayment of external loans are shown separately on the face of the revenue account below net operating expenditure.

6. CAPITAL GRANTS

SSAP4 (Revised) "Accounting for Government Grants" has been fully adopted to include any grants receivable at the end of the financial year. The grants on assets owned or leased are released to the revenue account over the same period as that used for depreciation purposes. Grants receivable in respect of capital expenditure charged directly to Revenue are released directly to revenue in full in the year in which the costs are charged. Details of capital grants receivable and released, excluding the Authority grants to the Executive, are set out in Notes 2 and 3 to the group accounts.

7. INVESTMENTS

Investments are shown on the Balance Sheet at cost less provision, where appropriate, for loss in value. Investment income is credited to the revenue account when it falls due.

8. REPURCHASE OF BORROWING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the revenue account in the period during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

9. RESERVES

The general fund reserve is a revenue reserve and transfers to and from the reserve are shown at the bottom of the revenue account (appropriations section) and not within service expenditure. Expenditure is charged to revenue and not directly to the reserve. Other reserves (usable capital receipts, fixed asset restatement and capital financing and pension reserves) are not available for revenue purposes and can only be used for specific statutory purposes.

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10. VALUE ADDED TAX

Value Added Tax is included within the accounts only to the extent that it is irrecoverable. Where this is the case it has been charged to the appropriate expenditure heading.

11. TAXATION

The Authority is not liable to Corporation Tax whereas the Executive is liable for Corporation Tax on interest receivable in a financial year. In addition the Executive, until Deeds of assumption ceased on 1 April 2004, was liable for Corporation Tax on the related interest payments received. This later liability has now ceased.

12. PENSIONS

Both the Authority and Executive follow FRS 17 as amended by the requirements of 'The Code' and 'The Accounts and Audit Regulations 2006'. Details can be found in note 6 to the accounts.

13. DEBTORS

Debtors is adjusted for doubtful debts which are provided for with known uncollectable debts being written off.

14. LEASED ASSETS

The Executive complies with the requirements of the Statement of Standard Accounting Practice 21, "Accounting for Leases and Hire Purchase Contracts". Assets subject to finance lease agreements are capitalised at cost and depreciated over the term of the primary period of the lease. The minimum lease payments, derived by discounting at the interest rate implicit in the lease, are taken as liabilities in the balance sheet. The interest element implicit in the leases is charged to the revenue account over the primary period of the leases on the reducing balance method. Rental payments on operating leases are charged directly to the revenue account in the year in which the cost arises.

15. FOREIGN CURRENCY TRANSLATION

All foreign currency income and expenses are translated at the rate ruling on the day of the transaction with the resultant profit or loss recognised immediately in the revenue account. All foreign currency assets and liabilities in the balance sheet are translated at the balance sheet date.

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REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 £000's		Gross Expenditure £000's	Gross Income £000's	2005/06 Net Expenditure £000's	Notes
91,444	Public Transport	127,812	(1,133)	126,679	1
1,018	Corporate and Democratic Core	890	-	890	
-	Unapportionable Central Overhead:	-	-	-	
92,462	NET COST OF SERVICES			127,569	
3,803	Asset Management Revenue Account			4,638	2
328	Effect of early settlement of borrowing			(42)	
6	Pension Interest Costs and Expected Return on Assets			3	6
(627)	External Interest Received			(412)	
95,972	NET OPERATING EXPENDITURE			131,756	
(1)	Transfer to / (from) Pensions Reserve			17	6
(11,951)	Appropriation from Capital Financing Account			(12,012)	3
84,020	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXATION			119,761	
(56,762)	<u>Met by</u> - District Council Levies			(64,232)	12
(25,843)	- Special Rail Grant			(54,587)	
(981)	- Rural Bus Grant			(1,019)	
434	(SURPLUS)/DEFICIT FOR THE YEAR			(77)	
(5,544)	General Fund balance b/f			(5,110)	
(5,110)	General Fund balance c/f			(5,187)	

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BALANCE SHEET AS AT 31 MARCH 2006

31st March 2005 £000's		31st March 2006 £000's	31st March 2006 £000's	Notes
	Fixed Assets			
5,534	Land and Buildings		8,380	11
5,534	TOTAL LONG TERM ASSETS		8,380	
	Current Assets			
93	Debtors	4,387		16
5,000	Investments	5,000		
669	Cash and Bank	830		
5,762			10,217	
	Current Liabilities			
(9,500)	Short Term Borrowing		0	14
(7,324)	Creditors		(10,720)	17
0	Bank Overdraft		0	
(5,528)			7,877	
(90,000)	Long Term Borrowing		(105,000)	14
(244)	Liability related to defined benefit pension schemes		(214)	6
(95,772)	TOTAL ASSETS LESS LIABILITIES		(97,337)	
6,250	Fixed Asset Restatement Account		8,380	13
(106,888)	Capital Financing Account		(110,690)	3
(244)	Pensions Reserve		(214)	6
5,110	General Fund Balance		5,187	
(95,772)	TOTAL NET WORTH		(97,337)	

D.J. Page
Chief Financial Officer
WYPTA

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 £000's		2005/06 £000's
	Revenue activities (Note A)	
	Cash Outflows:	
445	Cash paid to and on behalf of employees	460
688	Other operating cash Payments	1,314
77,893	Revenue Grants to WYPTE	107,406
79,026		109,180
	Cash Inflows:	
(56,762)	District Council Levies	(64,232)
(25,843)	Special Rail Grant	(54,588)
(981)	Rural Bus Grant	(1,019)
(735)	Other operating cash Receipts	(1,131)
(84,321)		(120,970)
5,295	Net Cash flow from Revenue Activities	11,790
	Returns on Investment and Servicing of Finance	
	Cash outflows	
(4,340)	Interest Paid	(4,527)
	Cash inflows	
606	Interest received	394
	Capital Activities	
	Cash outflows	
(15,548)	Capital Grants to WYPTE	(16,080)
	Cash inflows	
0	Government grants received	3,084
(13,987)	Cash inflow/(outflow) before financing	(5,339)
	Management of Liquid Resources	
(5,000)	(Increase)/decrease in short term investments	0
	Financing	
	Cash outflows	
(37,165)	Repayments of amounts borrowed	(9,500)
	Cash inflows	
1,750	Short term loans raised	0
55,000	Long term loans raised	15,000
598	Increase/(Decrease) in Cash in the Year (Note B)	161

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NOTE A : RECONCILIATION OF THE REVENUE ACCOUNT SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES.

(434)	(Deficit)/Surplus of income and Expenditure after interest	77
4,340	Interest payable	4,527
<u>(606)</u>	Interest receivable	<u>(394)</u>
3,300	Surplus of Income and Expenditure before interest	4,210
3,776	MRP	4,247
47	Decrease/(Increase) in Debtors	(63)
<u>(1,828)</u>	Increase/(Decrease) in Creditors	<u>3,396</u>
<u>5,295</u>	NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>11,790</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

NOTES TO THE CASH FLOW STATEMENT

NOTE B: RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

2004/05 £000's		2005/06 £000's
598	Increase/(Decrease) in Cash in the Year	161
5,000	Cash used to increase liquid resources	0
(1,750)	New short term loan raised	9,500
(17,835)	New long term loan raised	(15,000)
(13,987)	Change in Net Debt	(5,339)
(79,844)	Net Debt at 1 April	(93,831)
<u>(93,831)</u>	Net Funds at 31 March	<u>(99,170)</u>

NOTE C: ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2005 £000's	Movements in year £000's	At 31 March 2006 £000's
Cash flows:			
Cash at Bank and in Hand	669	161	830
Short term Investment	5,000	0	5,000
Debt outstanding:			
Due Within 1Year	(9,500)	9,500	0
Due After 1 Year	(90,000)	(15,000)	(105,000)
	<u>(99,500)</u>	<u>(5,500)</u>	<u>(105,000)</u>
Other Changes:	0	0	0
	<u>(93,831)</u>	<u>(5,339)</u>	<u>(99,170)</u>

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STATEMENT OF TOTAL MOVEMENT IN RESERVES 2005/2006

	CAPITAL RESERVES		REVENUE RESERVES		Total
	Fixed Asset Restatement Account <i>(Note 13)</i> £000's	Capital Financing Account <i>(Note 3)</i> £000's	Pensions Reserve <i>(Note 6)</i> £000's	General Fund £000's	
Balance as at 1st April 2005	6,250	(106,888)	(244)	5,110	(95,772)
Net surplus/(deficit) for year	2,130	(3,802)	30	77	(1,565)
Balance as at 31st March 2006	8,380	(110,690)	(214)	5,187	(97,337)

There have been no disposals of fixed assets during 2005/06. The assets were revalued at 31 March 2006 hence the increase shown in note 13.

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NOTES TO THE ACCOUNTS:-

1 Revenue Expenditure

In order to comply with the SORP the revenue expenditure on public transport comprises a number of items:

2004/05 £000's		2005/06 £000's
76,068	Revenue Grant to Executive to meet Public Transport expenditure	111,015
15,548	Write off of Capital Grant to Executive to comply with SORP	16,080
385	Capital charges for the year	194
(557)	Direct Service costs (net)	(610)
91,444		126,679

2 Asset Management Revenue Account

2004/05 £000's		2005/06 £000's
Income		
(385)	Capital charges	(194)
(385)	Releases from Government Grant Deferred Account	(194)
Expenditure		
4,009	External interest payable	4,653
179	Depreciation	179
4,188		4,832
3,803	Balance transferred to Revenue Account	4,638

3 Capital Financing Account

2004/05 £000's		2005/06 £000's
(94,937)	Balance b/f	(106,888)
Income		
3,776	Minimum Revenue Provision (MRP) 4,247	
(179)	Less depreciation charged to services (179)	
3,597		4,068
Expenditure		
(15,548)	Deferred Charges written off (16,080)	
0	Premiums charged to the PCL -	
(15,548)		(16,080)
(11,951)		(12,012)
-	Capital receipts set aside -	
-	Capital receipts applied -	
-	Revaluation of Wellington House 895	
-	Direct Revenue Financing of Capital -	
-	Write down of Government Grants 7,315	
-		8,210
(106,888)	Balance c/f	(110,690)

MRP is 4% of the capital financing requirement as at 1st April 2005 which for the authority is the aggregate of fixed assets, fixed asset restatement account and the capital financing account totalling £106.2m (£110.7m at 31 March 2006)

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

4 S137 Expenditure

The Authority did not incur any expenditure under S.137 of the Local Government Act 1972 in 2005/06 (£nil in 2004/05).

5 Publicity

Set out below, under the requirements of S5(1) of the Local Government Act 1986, is the Authority's spending on publicity

2004/05		2005/06
£		£
-	Recruitment advertising	-
-	Other advertising	-
-	Publicity relating to local government reorganisation	-
1,969	Other publicity	8,544
<u>1,969</u>		<u>8,544</u>

6 Pension Costs

6.1 Employees

The Authority participates in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that the Authority and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In 2005/06 contributions payable for the year to West Yorkshire Pension Fund based on the formal actuarial valuation carried out for 31 March 2004 were £21,472 (2004/05 - £22,225) representing 13.1% (2004/05 - 13.1%) of pensionable pay. Under the Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition to employer's contributions the Authority is responsible for the pension payments relating to added years benefits it has awarded, together with related annual increases. The Authority paid £2,394 for such payments in 2005/06. (£2,316 in 2004/05).

Further information can be found in the West Yorkshire Pension Fund Annual Report which is available on request from the Chief Financial Officer, PO Box 67, Britannia House, Hall Ings, BRADFORD, BD1 1UP.

6.2 Capital Cost of Discretionary Increases in Pension Payments.

The Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in year discretionary awards and the ongoing costs of previous years discretionary payments.

There were no in year capital costs of non-funded discretionary added years in 2005/06. The capital costs relating to previous years awards of discretionary added years is not material.

6.3 Pension disclosures required under Financial Reporting Standard 17

At 31 March 2006, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

	31 March 05	31 March 06
	£000s	£000s
Estimated liabilities in scheme	(973)	(1,144)
Estimated assets in scheme	729	930
Net asset/(liability)	<u>(244)</u>	<u>(214)</u>

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Yorkshire Pension Fund liabilities have been assessed by Mercers Human Resource Consulting, an independent firm of actuaries. The main assumptions used in their calculations have been:

	2004/05	2005/06
Rate of inflation	2.90%	2.90%
Rate of increase in salaries	4.15%	4.15%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	5.40%	4.90%

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2005			31 March 2006		
	%	£000's	%	%	£000's	%
Equities	7.50	546	74.9	7.00	696	74.8
Government Bonds	4.70	77	10.6	4.30	61	6.6
Other Bonds	5.40	15	2.0	4.90	38	4.1
Property	6.50	39	5.3	6.00	47	5.0
Cash/Liquidity	4.75	52	7.2	4.50	55	5.9
Other	7.50	-	-	7.00	33	3.6
		729	100.0		930	100.0

The movement in the net pension liability for the year to 31 March 2005/06 is as follows:

	£000s
Net pensions liability at 1 April 2005	(244)
Service Expenditure	
- Current Service Cost	(22)
- Past Service Gain	18
- Employer Contributions	24
Finance Gains and Losses	
- Expected Return on Assets	50
- Interest on Pension Liabilities	(53)
- Actuarial Gain or (Loss)	13
Net pensions liability at 31 March 2006	(214)

Statement of Actuarial gains and (Losses)

	£000s	%	
Asset gain/ (loss)	141	15.2%	of assets
Liability gain / (loss)	(28)	2.4%	of liabilities
Change in Assumptions	(100)	8.7%	of liabilities
Net gain / (loss)	13	1.1%	of liabilities

Revenue Items for 2005/06

	£000
Operating	
Current service cost	(22)
Past service cost	18
Curtailment cost	0
Settlement gain	0
	(4)
Finance	
Expected return on Assets	50
Interest on Pension Liabilities	(53)
Net gain/(cost)	(3)

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

HISTORY OF EXPERIENCE GAINS AND LOSSES	2006	2005	2004
	£000	£000	£000
Difference between the expected and actual returns on scheme assets :	141 15.2%	38 5.2%	86 13.7%
Experience gains and losses on scheme liabilities:	(28) -2.4%	61 6.3%	0 0.0%
Total amount recognised in statement of total recognised gains and losses:	13 1.1%	(79) -8.1%	86 10.8%

7 Minimum Revenue Provision

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2005/06 the amount is £4.247m (2004/05 - £3.776m).

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets related to that service. The balance has been transferred from the Capital Financing Account to the Appropriations section of the Revenue Account to ensure that the charge to the Amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).

2004/05		2005/06
£000's		£000's
179	Depreciation charged to services	179
3,597	Additional charge to revenue	4,068
<u>3,776</u>	Minimum Revenue Provision	<u>4,247</u>

8 Provision for credit liabilities

In accordance with statutory requirements the Authority is required to set aside sums as a provision to repay external loans, finance leases and other limited purposes.

The Authority does not keep an account for the PCL within the accounting records as there is no need to do so but maintains a memorandum account which is set out below:

2004/05		2005/06
£000's		£000's
-	Balance brought forward	-
-	Reserved proportion of capital receipts	-
-	Usable receipts voluntarily set-aside	-
<u>3,776</u>	Minimum revenue provision	<u>4,247</u>
3,776		4,247
<u>(3,776)</u>	Repayment of external loans	<u>(4,247)</u>
<u>-</u>		<u>-</u>

9 Members ' allowances

The total members allowances paid in the year was £214,677 (2004/05 - £202,392).

10 Officers' emoluments

The Code of Practice on Local Authority Accounting 2006 requires the disclosure of the number of officers whose emoluments in the year were £50,000 or more, grouped in rising bands of £10,000. In 2005/06 there were no officers above £50k. (none above £50k in 2004/05).

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

11 Fixed Assets

Fixed Assets wholly relate to the Authority's office building in Wellington Street, Leeds which was purchased in 1988. The building was last revalued at 31st March 2001 and has been revalued again at 31 March 2006. The movements in fixed asset values are analysed as follows:

	Other Land & Buildings £000's
Certified valuation at 31 March 2001	6,250
Accumulated depreciation and impairment	(716)
Net Book Value at 31 March 2005	5,534
Movement in 2005/06	
Additions	-
Disposals	-
Impairments	-
Depreciation	(179)
Revaluation at 31 March 2006	3,025
Net Book Value at 31 March 2006	8,380

12 Related Party Transactions

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

The Authority's transactions with related parties during 2005/06, which are not separately disclosed elsewhere, are set out below:

	2004/05	2005/06
	£	£
Levying bodies:		
Bradford MDC	12,861,144	14,642,397
Calderdale MDC	5,255,155	5,921,440
Kirklees MDC	10,581,982	11,993,879
Leeds City Council	19,467,010	21,919,847
Wakefield MDC	8,596,837	9,754,437
	56,762,128	64,232,000

Members

The Authority requires members to complete a declaration of Related Party Transactions and this information is used to prepare this note. All members have at least two roles under the Local Government Act 1985 in that they are members of the five constituent levying metropolitan district councils and are appointed onto the Passenger Transport Authority. Other than this no member has declared any such transaction with the Authority.

Officers

Mr K Preston, Clerk to the Authority, is also Director-General of the Passenger Transport Executive (PTE). His services to the Authority are not recharged to the Authority by the PTE.

Mr D Page, Chief Financial Officer to the Authority, is also Deputy Chief Executive of Leeds City Council. His services are recharged to the Authority by the City Council.

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

13 Fixed Asset Restatement Account

The Fixed Asset Restatement Account is written down by the book value of assets as they are disposed of. In addition any increase or decrease in the valuation of an asset which is currently held is also charged to this account.

2004/05 £000's		2005/06 £000's
	Movements in unrealised value of fixed assets	
-	Gains/(losses) on revaluation of fixed assets	2,130
-	Impairment losses on fixed assets due to general changes in prices	-
-	Total increase/(decrease) in unrealised capital resources in year	2,130
	Value of assets sold, disposed of or decommissioned	
-	Amounts written off fixed asset balances for disposals	-
-	Total movement in year	2,130
6,250	Balance brought forward	6,250
6,250	Balance carried forward	8,380

14 Loans Outstanding

2004/05 £000's		2005/06 £000's
	Lender:-	
80,000	Public Works Loans Board	85,000
-	European Investment Bank	-
10,000	Other Market Loans	20,000
9,500	Short Term Loans	-
99,500		105,000
	Maturity:-	
9,500	Loans repayable within 12 months	-
-	1-2 years	-
5,000	2-5 years	-
-	5-10 years	-
85,000	in more than 10 years	105,000
99,500		105,000

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

15 Capital expenditure and financing

2004/05 £000's		2005/06 £000's
	Capital investment	
-	Operational assets	-
15,548	Deferred charges	16,080
<u>15,548</u>		<u>16,080</u>
	Sources of finance	
15,548	Borrowing (credit approvals)	8,765
-	Capital receipts	-
-	Government grants and other contributions	7,315
-	Revenue contributions	-
<u>15,548</u>		<u>16,080</u>

16 Debtors

2004/05 £000's		2005/06 £000's
93	General Debtors	156
-	Government grant outstanding	4,231
<u>93</u>		<u>4,387</u>

17 Creditors

2004/05 £000's		2005/06 £000's
6,185	Passenger Transport Executive (Net)	9,795
1,139	Other Creditors	925
<u>7,324</u>		<u>10,720</u>

18 Net Assets employed

2004/05 £000's		2005/06 £000's
<u>(95,772)</u>	Total Reserves and Balances	<u>(97,337)</u>

19 Auditors Remuneration

2004/05 £'000s		2005/06 £'000s
30	Audit Services	73
-	Other Services	-
<u>30</u>		<u>73</u>

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 31 MARCH 2006**

2004/05 Previous Year Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	2005/06 Net Expenditure £000's	Notes
(76,358)	Public Transport	(137,984)	32,315	(105,669)	
(3,582)	Corporate and Democratic Core	(3,611)	0	(3,611)	
(79,940)	NET COST OF SERVICES			(109,280)	
(4,026)	Interest Payable			(4,653)	
(328)	Effect of early settlement of borrowing			42	
662	Interest and Investment income			430	
(250)	Pension Interest Costs and Expected Return on Assets			(824)	6
(112)	Taxation of group entities			(1)	13
(83,994)	NET EXPENDITURE BEFORE RESERVES MOVEMENTS			(114,286)	
(79)	Transfer (to) / from Pensions Reserve			(1,103)	6
(3,892)	Depreciation			(4,372)	2
(87,965)	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXPAYERS			(119,761)	
56,762	<u>Met by</u> - District Council Levies			64,232	12
24,788	- Special Rail Grant			54,587	
981	- Rural Bus Grant			1,019	
(5,434)	SURPLUS/(DEFICIT) FOR THE YEAR			77	
11,955	General Fund balance b/f			6,521	
6,521	General Fund balance c/f			6,598	

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

GROUP BALANCE SHEET AS AT 31 MARCH 2006

31st March 2005 £000's		31st March 2006 £000's	31st March 2006 £000's	Notes
	Fixed Assets			
96,458	Tangible fixed assets		118,363	11
96,458	TOTAL LONG TERM ASSETS		118,363	
	Current Assets			
10,316	Debtors	14,046		16
5,000	Investments	5,000		
3,119	Cash and Bank	2,432		
18,435			21,478	
	Current Liabilities			
(9,500)	Short Term Borrowing		0	14
(22,669)	Creditors		(24,154)	17
(794)	Bank overdraft		(1,168)	
81,930	TOTAL ASSETS LESS CURRENT LIABILITIES		114,519	
(90,000)	Long Term Borrowing		(105,000)	14
(38,160)	Liability related to defined benefit pension schemes		(29,337)	6
(36,803)	Deferred Capital Grants		(38,173)	18
(160)	Provision for Liabilities		(160)	20
(83,193)			(58,151)	
9,459	Revaluation Reserves		19,665	9
(61,013)	Capital Financing Account		(55,077)	3
(38,160)	Pensions Reserve		(29,337)	6
6,521	General Fund Reserve		6,598	
(83,193)			(58,151)	

D.J. Page
Chief Financial Officer

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 £000's		2005/06 £000's
	Revenue activities (Note A)	
163	Net Cash flow from Revenue Activities	5,846
	Returns on Investment and Servicing of Finance	
	Cash outflows	
(4,357)	Interest Paid	(4,527)
	Cash inflows	
641	Interest received	412
(291)	Taxation (net)	(60)
	Capital Expenditure	
(13,879)	Purchase of Fixed assets	(17,014)
5,729	Capital Grants received	5,347
167	Sale of Fixed assets	228
925	Other	3,207
(10,902)	Cash inflow/(outflow) before financing	(6,561)
	Management of Liquid Resources	
(5,000)	Increase in short term deposits	0
	Financing	
	Cash outflows	
(37,165)	Repayments of amounts borrowed	(9,500)
	Cash inflows	
55,000	New loans raised	15,000
1,750	New short term loans	0
3,683	Increase/(Decrease) in Cash in the Year (Note B)	(1,061)

NOTE A : RECONCILIATION OF THE REVENUE ACCOUNT SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES.

(5,429)	Surplus of income over Expenditure after interest	69
4,357	Interest Payable	4,527
(641)	Interest Receivable	(412)
(1,713)	Surplus of income over Expenditure before interest	4,184
3,776	MRP	4,247
116	Depreciation	125
107	Exceptional Items	9
(167)	Profit on sale of Fixed assets	(228)
(8,226)	Grant release to revenue (other than offset against Dep'n)	(305)
(6,107)		8,032
2,994	Decrease/(Increase) in Debtors	(7,340)
3,276	'Increase/(Decrease) in Creditors	5,154
163	NET CASH OUTFLOW FROM OPERATING ACTIVITIES	5,846

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006 NOTES TO THE CASH FLOW STATEMENT

NOTE B: RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

2004/05 £000's		2005/06 £000's
3,683	Increase/(Decrease) in Cash in the Year	(1,061)
5,000	New short term loan raised	9,500
(17,835)	New long term loan raised	(15,000)
261	Transferred Debt repaid	0
(1,750)	Increase in short term deposits	0
(10,641)	Change in Net Debt	(6,561)
(81,273)	Net Debt at 1 April 2005	(92,175)
(91,914)	Net Funds at 31 March 2006	(98,736)

NOTE C: ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2005 £000's	Movements in year £000's	At 31 March 2006 £000's
Cash flows:			
Cash at Bank and in Hand	2,325	(1,061)	1,264
Short term Investment	5,000	0	5,000
Debt outstanding:			
Due Within 1 Year	(9,500)	9,500	0
Due After 1 Year	(90,000)	(15,000)	(105,000)
	(99,500)	(5,500)	(105,000)
Other Changes:			
	0	0	0
	(92,175)	(6,561)	(98,736)

GROUP STATEMENT OF TOTAL MOVEMENT IN RESERVES 2005/2006

	CAPITAL RESERVES		REVENUE RESERVES		Total
	Capital Financing Account (Note 3) £000's	Revaluation Reserve (Note 9) £000's	Pensions Reserves (Note 6) £000's	General Reserves £000's	
Balance as at 1st April 2005	(61,013)	9,459	(38,160)	6,521	(83,193)
Net surplus/(deficit) for year	5,936	10,206	8,823	77	25,042
Balance as at 31st March 2006	(55,077)	19,665	(29,337)	6,598	(58,151)

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

NOTES TO THE GROUP ACCOUNTS:-

1 The Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice the SORP) requires all authorities who have a group interest in another organisation to produce group accounts based on UK GAAP that include that organisation. These accounts therefore include in this section the accounts of both the West Yorkshire Passenger Transport Authority and the West Yorkshire Passenger Transport Executive.

Since 2005/06 is the first year that group accounts have been produced the 2004/05 figures have necessarily been newly developed from the individual accounts. It should also be noted that it is the first year that the full effects of FRS17 for Pensions has been applied to the Executive accounts, in accordance with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006. Thus the 2004/05 figures have been recreated and will not be seen as a direct addition of the Authority's and Executive's original accounts for that year.

Unlike the Authority accounts, the group accounts show revenue expenditure on transport net of inter-organisation grants, expenditure and income. Consequently the notes do not require a breakdown of such figures. Instead an analysis is included in the explanatory foreword which provides a service analysis of the complete figures in the group revenue account.

2 Depreciation and Minimum Revenue Provision

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2005/06 the amount is £4.247m (2004/05 - £3.776m).

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets related to that service. The balance has been transferred from the Capital Financing Account to the Appropriations section of the Group Revenue Account to ensure that the charge to the Amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).

In the Executive's accounts depreciation has been charged directly to the revenue account but is offset by the release of capital grants held in their balance sheet.

The Executive's balance sheet at 31 March 2006 contains deferred capital grants of £93.8m. It is not possible to historically distinguish between those originally provided by the Authority and those originally provided by other sources. An assessment, based on average grant receipts over the last 7 years, has been used to consolidate the figures in the group accounts and provide the information in Notes 2 and 3.

2004/05		2005/06
£000's		£000's
3,268	Depreciation charged to services	1,197
<u>3,597</u>	Additional charge to revenue to reflect MRP	<u>4,068</u>
6,865		5,265
<u>(2,973)</u>	Less capital grants released	<u>(893)</u>
<u>3,892</u>	Group net charge to revenue	<u>4,372</u>

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

3 Capital Financing Account

2004/05		2005/06
£000's		£000's
(56,542)	Balance at beginning of the Year	(61,013)
	Income items:	
3,776	Minimum Revenue Provision (MRP)	4,247
(179)	Less depreciation charged to services	<u>(179)</u>
0	Receipt of grants during the year	7,315
0	Revaluation of PTA Assets	<u>895</u>
<u>3,597</u>		<u>12,278</u>
	Deduct:	
(2,057)	Annual release to revenue account to offset depreciation	(2,366)
<u>(6,011)</u>	Released to revenue against schemes charged directly to revenue	<u>(3,976)</u>
<u>(8,068)</u>	in the year where the grant equates fully to the scheme costs incurred.	<u>(6,342)</u>
<u>(61,013)</u>	Balance at the end of the Year	<u>(55,077)</u>

4 Disposal of Fixed Assets

2004/05		2005/06
£000's		£000's
<u>167</u>	Profit on disposal of fixed assets by the Executive	<u>228</u>
	The Authority disposed of no assets during 2004/05 or 2005/06.	

5 Interest

2004/05		2005/06
£000's		£000's
<u>(662)</u>	Interest receivable on Loans, deposits and Other debts	<u>(430)</u>
<u>4,026</u>	Interest payable on Loans	<u>4,653</u>
<u>328</u>	Effect of early settlement of Loans	<u>(42)</u>

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

6 Pension Costs

6.1 Employees

The Authority and Executive participate in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that they and their employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In 2005/06 contributions payable for the year to West Yorkshire Pension Fund based on a formal actuarial valuation for 31 March 2005 were £0.912m (2004/05 - £0.047m) representing 12.5% (Executive) and 13.1% (Authority) of pensionable pay. Under the Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

In addition to employer's contributions the Authority and Executive are responsible for the pension payments relating to added years benefits they have awarded, together with related annual increases. They paid £1.317m for such payments in 2005/06 (£1.322m in 2004/05).

Further information can be found in the West Yorkshire Pension Fund Annual Report which is available on request from the Chief Financial Officer, PO Box 67, Britannia House, Hall Ings, BRADFORD, BD1 1UP.

6.2 Capital Cost of Discretionary Increases in Pension Payments.

The Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in year discretionary awards and the ongoing costs of previous years discretionary payments.

There were no in year capital costs of non-funded discretionary added years in 2005/06. The capital costs relating to previous years awards of discretionary added years is not material.

6.3 Pension disclosures required under Financial Reporting Standard 17

At 31 March 2006, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

	31 March 05	31 March 06
	£m's	£m's
Estimated liabilities in scheme	(129)	(133)
Estimated assets in scheme	91	104
Net asset/(liability)	(38)	(29)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The West Yorkshire Pension Fund liabilities have been assessed by Mercers Human Resource Consulting, an independent firm of actuaries. The main assumptions used in their calculations have been:

	2004/05	2005/06
Rate of inflation	2.90%	2.90%
Rate of increase in salaries	4.15%	4.15%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	5.40%	4.90%

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2005			31 March 2006		
	Long term	Assets		Long term	Assets	
	Return			Return		
	%	£m's	%	%	£m's	%
Equities	7.50	68.22	74.9	7.00	77.61	74.8
Government Bonds	4.70	9.66	10.6	4.30	6.85	6.6
Other Bonds	5.40	1.80	2.0	4.90	4.25	4.1
Property	6.50	4.80	5.3	6.00	5.19	5.0
Cash/Liquidity	4.75	6.60	7.2	4.50	6.12	5.9
Other	7.50	-	-	7.00	3.73	3.6
		91.08	100.0		103.75	100.0

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	£m's
Net pensions liability at 1 April 2005	(38.16)
Service Expenditure	
- Current Service Cost	(1.15)
- Past service cost	0.85
- Curtailment Cost	-
- Employer Contributions	2.23
Finance Gains and Losses	
- Net Interest/Return on Assets	(0.82)
- Actuarial Gain or (Loss)	7.72
Net pensions liability at 31 March 2006	(29.33)

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

Statement of Actuarial gains and (Losses)

	£m's	Authority %	Executive %	
Asset gain/ (loss)	16.56	15.2%	16.0%	of assets
Liability gain / (loss)	-0.85	2.4%	0.6%	of liabilities
Change in Assumptions	-7.99	8.7%	6.0%	of liabilities
Net gain / (loss)	7.72	1.1%	5.8%	of liabilities

Revenue Items for 2005/06

	£m
Operating	
Current service cost	(1.15)
Past service cost	0.85
Curtailment cost	0.00
Settlement gain	0.00
	(0.30)
Finance	
Expected return on Assets	5.86
Interest on Pension Liabilities	(6.68)
Net gain/(cost)	(0.82)

History of experience of Gains and Losses	2006 £m's	2005 £m's	2004 £m's
Difference between the expected and actual returns on scheme assets:	16.56 16.0%	5.18 4.7%	13.23 14.5%
Experience gains and losses on scheme liabilities:	-0.85 60.0%	-7.66 5.9%	-0.51 50.0%
Total amount recognised in statement of total recognised gains and losses:	7.72 -5.8%	-23.35 18.1%	13.75 -13.0%

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

7 S137 Expenditure

Neither the Authority nor Executive have incurred any expenditure under S.137 of the Local Government Act 1972 (£nil in 2004/05)

8 Government grants receivable in the year

2004/05			2005/06
£'000s			£'000s
57,743	Revenue - Authority	55,606	
762	- Executive	1,133	
58,505			56,739
0	Capital - Authority	7,315	
5,729	- Executive	2,263	9,578
5,729			
64,234			66,317

9 Revaluation Reserve

2004/05			2005/06
£'000s			£'000s
9,459	Balance at 1 April		9,459
0	Surplus on revaluation		10,206
9,459	Balance at 31 March		19,665

10 Officers' emoluments

The Accounts and Audit Regulations 2006 requires the disclosure of the number of officers whose emoluments in the year were £50,000 or more, grouped in rising bands of £10,000. The Companies Act requires Directors shown in their appropriate £5,000 band. The following table therefore shows all Executive Directors and Employees in their appropriate band. There were no such employees in the Authority in either year.

£'000	Directors only		£'000	Officers	
	2004/05	2005/06		2004/05	2005/06
0 - 5	2	2			
			50 - 60	7	8
70 - 75	-	-			
75 - 80	2	1			
80 - 85	-	1			
135 - 140	1	1			

11 Fixed Assets

a). The attached table provides the cost of assets by original cost/valuation and shows accumulated depreciation to give the net book values shown in the balance sheet.

b). The Freehold and Leasehold Land and Buildings were revalued as at 31 March 2006 by Lambert Smith Hampton, a firm of external Chartered Surveyors. The valuation was carried out in accordance with the RICS Appraisal and Valuation Manual

All major freehold and leasehold assets were included in the valuation with the exception of bus shelters which are valued separately due to their specialist nature, their last valuation being at 31 March 2003. The book value of shelters at 31 March 2006 was £10.08m.

The basis of the valuation was existing use value or, as appropriate, depreciated replacement cost and market value and resulted in an overall valuation of £45.55m. All the revalued amounts have been incorporated in the accounts for 2005/06.

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

11. TANGIBLE FIXED ASSETS

a) The movements
in the year
1 April 2005 to
31 March 2006 are :

	TOTAL	FREEHOLD LAND AND BUILDINGS	LEASEHOLD LAND AND BUILDINGS	RAIL UNITS LEASED	VEHICLES OWNED	VEHICLES LEASED	EQUIPMENT OWNED	EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>COST VALUATION</u>									
At 1 April 2005	117,046	67,115	474	6,622	2,582	8	4,290	54	35,901
Additions	17,014	2,374	-	-	312	-	22	-	14,306
Transfer from payments on assets in course of construction	0	3,791	-	-	-	-	615	-	(4,406)
Disposals	(57)	(30)	-	-	(27)	-	-	-	-
Other adjustments	0	(14,106)	321	-	-	-	648	-	13,137
Revaluation adjustments	9,319	8,982	337	-	-	-	-	-	-
WIP W/Off to revenue	(3,247)	(2,484)	-	-	-	-	-	-	(763)
At 31 March 2006	140,075	65,642	1,132	6,622	2,867	8	5,575	54	58,175
<u>ACCUMULATED DEPRECIATION</u>									
At 1 April 2005	20,588	8,281	469	6,622	2,190	8	2,964	54	0
Charge for the year (Note7(a))	3,002	2,277	-	-	73	-	652	-	-
Disposals	(56)	(29)	-	-	(27)	-	-	-	-
Other adjustments	(40)	(507)	104	-	-	-	363	-	-
Adj for revaluation	(1,782)	(1,489)	(293)	-	-	-	-	-	-
At 31 March 2006	21,712	8,533	280	6,622	2,236	8	3,979	54	-
<u>NET BOOK VALUES</u>									
31 March 2006	118,363	57,109	852	-	631	-	1,596	-	58,175
1 April 2005	96,458	58,834	5	-	392	-	1,326	-	35,901

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

12 Related Party Transactions

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which they might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Members

The Authority requires members to complete a declaration of Related Party Transactions and this information is used to prepare this note. All members have at least two roles under the Local Government Act 1985 in that they are members of the five constituent levying metropolitan district councils and are appointed onto the Passenger Transport Authority. Other than this no member has declared any such transaction with the Authority.

The Authority and Executive have a number of financial transactions with related parties. The significant revenue transactions, not separately disclosed elsewhere or covering basic areas of expenditure such as rates and other service charges are:

- The Authority receives financing through its Levy on the District Councils.
- The Executive provides agency services for Educational transport for which they are paid fees.

The figures for 2004/05 and 2005/06 are set out below:

	Education transport amounts received by the Executive		Levy received by the Authority	
	2004/05	2005/06	2004/05	2005/06
	£m	£m	£m	£m
Bradford MDC	3.47	4.10	12.86	14.64
Calderdale MDC	0.73	0.88	5.26	5.92
Kirklees MDC	0.00	0.00	10.58	11.99
Leeds City Council	1.61	1.98	19.47	21.92
Wakefield MDC	2.26	2.30	8.59	9.76
	<u>8.07</u>	<u>9.26</u>	<u>56.76</u>	<u>64.23</u>

Officers

Mr K Preston, Clerk to the Authority, is also Director-General of the Passenger Transport Executive (PTE). His services to the Authority are not recharged to the Authority by the Executive.

Mr D Page, Chief Financial Officer to the Authority, is also Deputy Chief Executive of Leeds City Council. His services are recharged to the Authority by the City Council.

13 Taxation

2004/05		2005/06
£'000s		£'000s
<u>112</u>	Corporation Tax on sundry interest received in year	<u>1</u>

The Authority is a non-taxable entity therefore all taxation involved refers to the Executive.

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

14 Loans Outstanding

2004/05 £000's		2005/06 £000's
80,000	Lender:-	85,000
10,000	Public Works Loans Board	20,000
9,500	Other Market Loans	-
<u>99,500</u>	Short Term Loans	<u>105,000</u>
	Maturity:-	
9,500	Loans repayable within 12 months	-
-	1-2 years	-
5,000	2-5 years	-
-	5-10 years	-
85,000	in more than 10 years	105,000
<u>99,500</u>		<u>105,000</u>

15 Capital expenditure and financing

2004/05 £000's		2005/06 £000's
<u>21,277</u>	Capital investment	
	Operational assets acquired in year	<u>18,343</u>
	Sources of finance	
15,548	Borrowing (credit approvals)	8,765
-	Capital receipts	-
5,494	Government grants and other contributions	9,556
235	Revenue contributions	22
<u>21,277</u>		<u>18,343</u>

16 Debtors

2004/05 £000's		2005/06 £000's
9,683	Trade Debtors	8,626
-	Government Grants	4,231
391	Other Debtors	752
242	Prepayments and accrued income	437
<u>10,316</u>		<u>14,046</u>

17 Creditors

2004/05 £000's		2005/06 £000's
19,004	Trade creditors	18,217
801	Other creditors	967
2,804	Deferred Income	4,969
60	Corporation Tax	1
<u>22,669</u>		<u>24,154</u>

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

18 Deferred Capital Grants

2004/05 £000's		2005/06 £000's
34,047	Balance at 1 April	36,803
5,729	Grants Receivable in the Year	2,263
<u>39,776</u>		<u>39,066</u>
-2,973	Annual release to revenue against depreciation	-893
<u><u>36,803</u></u>		<u><u>38,173</u></u>

19 Auditors Remuneration

2004/05 £'000s		2005/06 £'000s
101	Audit Services	133
-	Other Services	-
<u>101</u>		<u>133</u>

20 Provisions for Liabilities and Charges

Balance at beginning and end of year was £160,000 representing probable claims from ex-employees whilst employed by the Executive prior to October 1986.

21 Net Assets employed

2004/05 £000's		2005/06 £000's
<u>(83,193)</u>	Total Reserves and Balances	<u>(58,151)</u>

22 Financial Commitments

2004/05 £'000s		2005/06 £'000s
	<u>Capital commitments</u>	
11,037	Contracted for but not provided in the accounts	20,528
7,183	Authorised but not contracted for	4,038
<u>18,220</u>		<u>24,566</u>
	Revenue commitments - operating leases	
0	Within 1 year	0
0	1 to 5 years	0
2,164	Beyond 5 years	1,918
<u>2,164</u>		<u>1,918</u>

The lease rentals are in respect of rail units leased by the Executive and are affected by variable interest rates. The above commitments are the basic annual rentals due each year within the terms of the lease agreements. The Executive recovers all the lease rental costs from the rail operators under the franchising agreements.

23 Contingent Liabilities

There were no contingent liabilities at 31 March 2005 but with the cessation of the Supertram scheme there is a contingent liability at 31 March 2006 arising from possible claims relating to land acquisition.

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

Appendix 2

<u>INCOME</u>	<u>Notes</u>	<u>2006</u>	<u>2005*</u>
		<u>£'000</u>	<u>£'000</u>
Revenue Grant from PTA	1	56,428	50,225
Special Rail Grant	2	54,587	24,788
Prepaid Tickets	4	23,923	20,550
Rents, Service and Departure Charges		4,723	2,398
Other Revenue		<u>3,920</u>	<u>3,630</u>
		143,581	101,591
 <u>EXPENDITURE</u>			
<u>Payments to Operators</u>			
Concessionary Fares	4	20,140	21,595
Subsidised Services	4	20,736	19,117
Prepaid Tickets	4	23,923	20,550
Rail Services	2	<u>53,915</u>	<u>24,029</u>
		118,714	85,291
 <u>Administration and Activities</u>			
Administration and Management		5,897	6,288
Passenger Facilities		5,316	5,496
Service Planning and Promotion		6,166	6,197
Pension Interest Cost Expected Return on Assets		<u>821</u>	<u>244</u>
		18,200	18,225
 <u>Depreciation</u>			
	7(a)	125	116
<u>Operating Lease Costs</u>			
	7(c)	2,583	110
<u>Pension and Non-recurring Costs</u>			
	7(d)	2,899	2,782
<u>Movement on Pension Reserve</u>			
		<u>1,086</u>	<u>80</u>
		6,693	3,088
		143,607	106,604
 (DEFICIT) OF INCOME OVER EXPENDITURE BEFORE EXCEPTIONAL ITEMS			
Exceptional Items	10	(26)	(5,013)
		9	107
 (DEFICIT) OF INCOME OVER EXPENDITURE			
		<u>(17)</u>	<u>(4,906)</u>
Interest Receivable		18	35
Interest Payable		-	(17)
 SURPLUS/DEFICIT FOR THE YEAR BEFORE TAXATION			
		<u>1</u>	<u>(4,888)</u>
Taxation		(1)	(112)
 SURPLUS/(DEFICIT) FOR THE YEAR, AFTER TAXATION TRANSFERRED TO RESERVES			
	9	-	(5,000)
		=====	=====

* Restated as a result of the change in accounting policy for FRS17 (Pensions)

**WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2006**

		<u>2006</u>		<u>2005</u>	
FIXED ASSETS	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Tangible Assets	11(a)	<u>109,983</u>	109,983	<u>90,924</u>	90,924
CURRENT ASSETS					
Debtors	12	19,454		16,408	
Cash at Bank and in Hand		<u>1,602</u>		<u>2,450</u>	
			21,056		18,858
CURRENT LIABILITIES					
Cash at Bank and in Hand		(1,168)		(794)	
Creditors: Amounts Falling Due Within One Year	13	<u>(23,229)</u>		<u>(21,530)</u>	
			(24,397)		(22,324)
NET CURRENT ASSETS/(LIABILITIES)			(3,341)		(3,466)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>106,642</u>		<u>87,458</u>
PROVISION FOR LIABILITIES AND CHARGES	14	(160)		(160)	
DEFERRED CAPITAL GRANTS	15	(93,786)		(82,678)	
NET PENSION LIABILITY		<u>(29,123)</u>		<u>(37,916)</u>	
		(16,427)		(33,296)	
		=====		=====	
<u>CAPITAL AND RESERVES</u>					
Revaluation Reserve	16	11,285		3,209	
Revenue Reserves		1,411		1,411	
Pension Reserves		<u>(29,123)</u>		<u>(37,916)</u>	
		(16,427)		(33,296)	
		=====		=====	

SIGNED ON BEHALF OF THE EXECUTIVE

DIRECTOR GENERAL

DIRECTOR CORPORATE SERVICES

ASSISTANT DIRECTOR FINANCE

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY**Capital Funding 2005/06**

	Authority £	Executive £	Total £
Gross Expenditure	0	18,342,956	18,342,956
Financed from:			
Loan from PWLB/LOBO	20,000,000		
Less EIB/PWLB Repayments	<u>-5,000,000</u>		
Internal Borrowing	-10,481,850		-10,481,850
Provision for Credit Liabilities	4,246,904		4,246,904
Authority grant to Executive	-16,080,054	16,080,054	0
Grants for Supertram		1,000,000	1,000,000
Grants for Yellow Bus	7,315,000		7,315,000
Other External Grants		1,241,134	1,241,134
Use of internal resources		21,768	21,768
	0	18,342,956	18,342,956
Government Borrowing Approvals:			
Supplementary Credit Approvals - LTP Package		8,558,311	
- MyBus		206,743	8,765,054
Utilised for:			
External Borrowing		15,000,000	
Internal Borrowing		-10,481,850	
Use of Credit Liabilities Fund		4,246,904	8,765,054

AUTHORITY LOANS STATEMENT 2005/06

Type of Loan	Maturity Date	Interest Rate %	Amount £M	£M
Existing Loans				
Maturity (LOBO)	16.04.27	4.500	5.000	
Maturity (PWLB)	15.07.29	4.750	10.000	
Maturity (PWLB)	02.06.30	4.550	15.000	
Maturity (PWLB)	02.06.30	4.550	5.000	
Maturity (PWLB)	19.03.30	4.750	25.000	
Maturity (PWLB)	19.03.34	4.700	10.000	
Maturity (PWLB)	19.03.34	4.750	10.000	
Maturity (LOBO)	17.12.43	4.500	5.000	85.000
New loans borrowed during the year				
Maturity (PWLB)	02.06.35	4.250	5.000	
Maturity (PWLB)	15.01.56	3.700	5.000	
Maturity (LOBO)	31.05.65	3.970	5.000	
Maturity (LOBO)	24.08.65	3.800	5.000	20.000
				105.000
Temporary loans over the year end				0.000
				105.000
				105.000

LOANS OUTSTANDING 31st MARCH 2006

APPENDIX 4

TREASURY MANAGEMENT STATEMENT 2005/06 AND REVIEW 2006/07

1. The following sets out the results of the Authority's borrowing and lending transactions in 2005/06 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. BORROWING

	£000	£000
Total loans outstanding 1st April 2005		99,500
Less loan repayments		-5,000
Additional loans:		
PWLB long term	10,000	
LOBO	<u>10,000</u>	20,000
Change in level of temporary loans		-9,500
Total loans outstanding 31st March 2006		<u>105,000</u>

The schedule of the loans outstanding at 31 March 2006 is shown in Appendix 3.

3. INVESTMENTS

	£000
Short term investment at 1st April 2005	5,000
Movement during year	0
Short term investment at 31st March 2006	<u>5,000</u>

- 3.1 The position both at the start and end of the year reflects normal financing arrangements. As reported last year the general level of balances and other reserves, including amounts due to the Executive, have been reduced slowly over the past few years. The agreed policy, because interest rates are currently low on the financial markets, is to ensure the level of short term investments are maintained as close as possible to zero. This minimises the risk of there being a loss between interest paid out and interest received.

4. COMMENT

- 4.1 There was very little change in the UK Bank Base Rate during 2005/06 when it only changed in steps of 0.25% from an opening rate of 4.75% on 1 April 2005 to 4.5% by 31 March 2006. Regular advice was received about the financial market which was closely monitored on behalf of the Authority by Leeds City Council. Although an alleged fraud occurred in June 2005, and the officer concerned subsequently dismissed, the Authority's borrowing and investments portfolio was immediately switched to another experienced officer who has been efficiently handling affairs since then.
- 4.2 The money market is being constantly monitored to ensure that the Authority's bank account is maintained with a minimum cash balance (nearly always below £1,000) with temporary borrowing and investments being used as appropriate. A special business reserve account paying interest at Bank base rate is used to ensure interest from overnight funds are maximised. Although longer term, but less than 12 months, investments are made these are rare and only one such existed at the end of the year.
- 4.3 As can be seen from Appendix 3 the basic borrowing requirement for the year was relatively low at £9m. However, interest rates have been quite volatile in the market and a constant review indicated a possibility for some refinancing. However, due to the opportunities which have been taken in the last few years options were limited and it only proved possible to refinance one loan of £5m.
- 4.4 In the light of advice from our financial advisers on interest rate predictions which suggested future rises in interest rates a variety of longer term loans were obtained during the year. These were all at rates below those currently held in the Authority's portfolio and have helped to continue to maintain a low average interest rate of around 4.6%. This is well below the level of 6% used for calculating the District Councils' FSA which covers this debt in their RSG. On the current level of debt this reduction would be worth well over £1m per annum.
- 4.5 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken. In the light of the anticipated rise in interest rates part of the £20m borrowed contained £5m for the funding requirement for 2006/07. It was possible to borrow this at 3.7% and already rates have risen significantly beyond this. It is therefore thought that, unless there is a sudden change in requirements, no further major borrowing will be required for 2006/07.
- 4.6 However, it has already been possible to undertake some refinancing whereby a long term loan has been repaid at 4.55% creating an immediate cash saving of £215k and re-borrowing at 4.4% thus creating an ongoing interest rate saving to the Authority. The two loans do not

exactly match in cash terms thus a further LOBO has been obtained for drawdown in October at 3.99%. The benefit of this further LOBO is not only to create a cash saving but also balance the portfolio in terms of providing a volatility of £5m per annum.

4.7 The prudential limits set in February are reviewed below.

5. TREASURY MANAGEMENT

5.1 All placement of funds during 2005/06 was undertaken by Leeds City Council in accordance with rules approved by the Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions not merely sought the highest return but sought to ensure the safety of those funds and to limit the Authority's exposure to any one organisation.

5.2 As stated above the Authority's investments and cash position is monitored on a daily basis to ensure any available balances are promptly invested. The levels of Base Rates during the year moved from 4.75% to 4.5% and the average investment return achieved was 4.66%.

6. PRUDENTIAL BORROWING CODE

6.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code members approve a treasury management policy and review the prudential indicators for the year.

6.2 Members at their budget meeting in February 2006 took the appropriate decisions for 2006/07. There has been little change in the overall expected level of the capital programme since that meeting although some borrowing has taken place. Members can, having regard to changing circumstances, approve amendments during the year.

6.3 There have been two minor changes in the policy being recommended. Firstly the exclusion of all inter-authority deposits between the PTA and Leeds City Council has proved impractical and was breached on one occasion recently when there was a money shortage overnight. It is therefore recommended that a revision which allows such inter-authority deposits in emergencies only be agreed. Secondly members should note that to achieve the best borrowing rates all long term loans are now over 10 years whereas before the limit set in the general loan structure was 90%. Subject to these two changes officers would recommend no change to either the treasury management policy or the prudential indicators.

6.4 It is therefore recommended that the following decisions, as amended from those taken in February 2006, are endorsed:

- 6.4.1 that the treasury management policy shall be:
 - 6.4.1.1 that the authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
 - 6.4.1.2 To operate the financing on a short term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.
 - 6.4.1.3 That there shall be no long term investments.
 - 6.4.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
 - 6.4.1.5 To use the following rules for short term investments:-
 - 6.4.1.5.1 the investments shall be determined by the Chief Financial Officer
 - 6.4.1.5.2 the Chief Financial Officer shall determine the amounts and periods.
 - 6.4.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
 - 6.4.1.5.4 no investment will be for a period exceeding 12 months.
 - 6.4.1.5.5 with the exception of an emergency overnight facility, there shall be no cross investments with Leeds City Council.
 - 6.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.
- 6.4.2 that as there have been insufficient changes to alter the predictions for future years the overall capital programme and the revised prudential limits for the current year set out below be as follows:
 - 6.4.2.1 operational boundary (2006/07 - £114.7m)
 - 6.4.2.2 authorised limit (2006/07 - £124.7m)
 - 6.4.2.3 maturity loan structure as shown
 - 6.4.2.4 a variable rate loan limit of 40%
 - 6.4.2.5 a fixed loan limit of 100%

Monitoring Statement

Summary Capital Programme

	2005/06		2006/07	2007/08	2008/09
	Approved	Actual	Revised	Revised	Revised
Expenditure per programme	£000		£000	£000	£000
Local Transport Plan	11,766	9,799	15,372	12,805	13,266
MyBus Scheme	7,315	7,522	7,000	1,391	0
Supertram	900	1,022	3,000	2,051	0
	<u>19,981</u>	<u>18,343</u>	<u>25,372</u>	<u>16,247</u>	<u>13,266</u>
Less forecast slippage ###	-2,044	0	-5,278	-4,357	-4,488
	<u>17,937</u>	<u>18,343</u>	<u>20,094</u>	<u>11,890</u>	<u>8,778</u>
Financing					
SCA/SCE(R) - LTP ###	8,558	8,558	8,670	8,198	8,778
SCE(R) - MyBus	0	207	0	887	0
Anticipated Borrowing	8,558	8,765	8,670	9,085	8,778
Section 56 Grant	7,315	7,315	7,000	504	0
Other funding	2,064	2,263	4,424	2,301	0
	<u>17,937</u>	<u>18,343</u>	<u>20,094</u>	<u>11,890</u>	<u>8,778</u>

Start on schemes after 2006/07 will be determined by the resources available.

Note this excludes Major schemes not yet approved.

Calculation of Prudential Indicators:

	2005/06	2006/07	2007/08	2008/09
AFFORDABILITY	£000	£000	£000	£000
Ratio of financing costs to net revenue stream				
Debt Charges	8,815	8,446	8,925	9,404
Levy	64,232	64,233	82,401	85,473
(currently 4% increase has been assumed per the Financial Strategy)				
Resultant ratio:	13.7%	13.1%	10.8%	11.0%

Notes: All additional debt charges should be covered by FSS received by the Constituent Authorities.

It is not appropriate to compare to Band D of Council tax as this changes per District.

PRUDENCE

Net external borrowing does not exceed the total of capital financing requirement in previous year plus the estimate of any additional financing requirement for the current and later years.

Estimate of Capital Financing Requirement

Loans outstanding at 31 March 2004	106,172	106,173	110,483	114,734	119,230
Additional borrowing requirement in year	8,558	8,765	8,670	9,085	8,778
Less debt repayments in year	-4,247	-4,247	-4,419	-4,589	-4,738
Forecast Operational Boundary	110,483	110,691	114,734	119,230	123,270
Safety factor			10,000	10,000	10,000
Forecast Authorised Limit			124,734	129,230	133,270

Maturity of Loan Structure

	Minimum	Maximum
Loans up to 1 year	0%	30%
Loans between 12 and 24 months	0%	20%
Loans between 24 and 60 months	0%	50%
Loans between 5 and 10 years	0%	75%
Loans over 10 years	25%	100%

Interest Rate Structure:

Variable rate loans - maximum 40%
Fixed rate loans - maximum 100%

West Yorkshire Passenger Transport Authority

Actual Capital Expenditure 2005/06	Amount £000's	£000's
<u>Local Transport Plan Funded Schemes</u>		
Bus Related Schemes		
DTLR Real Time Project	1,334,566.68	
RTI - Additional Passenger Displays	1,153,499.19	
Ossett Bus Station	842,251.70	
Miscellaneous smaller schemes	1,071.66	
AccessBuses - 8 replacement vehicles	314,525.64	
Rural and Urban Bus Challenge	829,301.28	
CCTV on buses	493,791.87	
On Street Infrastructure Renewals	769,933.35	
Bus shelter replacements/improvements	<u>2,439,426.68</u>	8,178,368.05
Rail Related Schemes		
Glasshoughton Rail Station	52,497.93	
Low Moor Rail Station Design Work	11,390.11	
Shelter Replacements at Rail Stations	51,878.00	
Wakefield Kirkgate improvements	184,163.00	
CCTV Enhancements @ Rail Stations	95,491.00	
Accessibility Improvements-Rail Stations 2	288,645.00	
Miscellaneous smaller schemes	<u>18,340.50</u>	702,405.54
<u>Other Schemes</u>		
Rapid Transport Project	118,390.53	
Business Continuity + Data Storage Upgrade	57,159.61	
Customer Database Integration	19,016.00	
Computer + Printer Replacement Programme	48,470.69	
Bus Services Information Development	111,951.95	
LTP2 Development	213,682.89	
Capital Salaries 2005/2006	<u>350,000.00</u>	918,671.67
		<u>9,799,445.26</u>
<u>Schemes Funded from Other Resources</u>		
MyBus		7,521,742.63
Supertram		1,021,767.93
		<u>18,342,955.82</u>